

HOGAN & HARTSON
L.L.P.

DAVID L. SIERADZKI
PARTNER
(202) 637-6462
DLSIERADZKI@HHLAW.COM

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910
WWW.HHLAW.COM

February 23, 2005

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth St., S.W.
Washington, D.C. 20554

**Re: Federal-State Joint Board on Universal Service;
CC Docket No. 96-45**

Dear Ms. Dortch:

On behalf of Sprint Corporation ("Sprint"), Luisa Lancetti and Roger Sherman of Sprint and the undersigned made *ex parte* presentations today to Jennifer Manner, legal advisor to Commissioner Abernathy; Jessica Rosenworcel, legal advisor to Commissioner Copps; and Barry Ohlson, senior legal advisor to Commissioner Adelstein. The presentation covered the points on the attached handout.

If you have any questions, please contact me.

Respectfully submitted,



David L. Sieradzki
Counsel for Sprint Corporation

Enclosure

cc: Jennifer Manner
Jessica Rosenworcel
Barry.Ohlson

Competitive ETCs:
Promoting Intermodal Competition
and Universal Service

Sprint Corporation
CC Docket No. 96-45
February 2005



Sprint's Perspective on Universal Service

- Sprint's diverse lines of business give us broad perspective on universal service
 - Net payer into the fund (long-distance, wireless)
 - ILEC in 18 states
 - Mostly “rural” for federal USF purposes
 - Wireless carrier
 - Designated as an ETC, primarily in “non-rural” ILEC areas
 - FCC designated in AL, GA, FL, NY, NC, TN, VA (“non-rural” areas only)
 - State PUCs designated in AZ, AR, KS, LA, MS, NM, PR, TX, UT, WV (“non-rural” only) and WA (“rural” and “non-rural”)
 - Application pending in IN
- Pending Sprint/Nextel merger underscores importance of wireless/wireline competition on a level playing field



Universal Service Policy Goals

- Control the growth of the fund
 - Fund growth is driven by continued wireline high cost fund growth, not wireless entry
 - Major focus of the upcoming *Rural Basis-of-Support* proceeding
 - Increasingly more urgent as intercarrier compensation reform proceeds
- Facilitate wireline/wireless competition
 - Competitively neutral ETC designation and USF support rules
 - Consistent with other FCC policy initiatives – *e.g.*, intermodal number portability, Triennial Review
- Promote wireless deployment in high-cost areas
 - Including high-cost areas served by so-called “non-rural” ILECs



Sprint's Experience With the ETC Designation Process

- The FCC's *Virginia Cellular* and *Highland Cellular* precedents have already had a major impact on the designation process
 - Rigorous process
 - States: Contested evidentiary proceedings under demanding standards
 - For example, Mississippi, New Mexico, Texas, and West Virginia voluntarily adopted standards and conditions drawn from *Virginia Cellular* in considering Sprint's ETC applications
 - FCC: Submission of extensive data on build-out plans, etc.
 - Compliance obligations
 - Ongoing compliance with FCC and state PUC requirements requires significant efforts within the company
 - Time-consuming
 - Over 18 months from start to finish
- Sprint is using USF support to deploy additional facilities and improve coverage and service quality for consumers



FCC Should Continue to Lead by Example Rather Than by Mandate

- Adopt non-binding guidelines – not mandatory requirements – as the Joint Board recommended
 - “Leading by example” is already working
 - Section 214(e) does not authorize the FCC to impose mandates on states
- Any new certification or reporting requirements for *existing* ETCs must be competitively neutral
 - Imposing anti-competitive restrictions only on wireless ETCs would be unlawful and would harm consumers
 - If FCC believes greater accountability is needed, then any proposed new rules should be equally applicable to all ETCs – ILECs and CETCs



Offer States a Menu of Competitively Neutral Options

- Reasonable standards (will benefit consumers)
 - Adequate financial resources
 - CTIA Consumer Code
 - Accountability
 - Proper use of funds
 - Demonstration re network build-out
 - Willingness to extend service to requesting customers upon request (*Virginia Cellular*)
- Improper and anti-competitive restrictions (would benefit ILECs, not consumers)
 - “Carrier of last resort”
 - Burdensome connotations in some states
 - Not technologically neutral – PCS vs. cellular licensing regimes
 - Obligation to use all funds for incremental capital expenditures
 - ILEC monopoly requirements
 - Tariffs
 - Rate regulation/local usage
 - Equal access



No Restrictions on the Number of ETCs in High-Cost Areas

- Would harm consumers by limiting competitive choice
- Incentive for ILECs to operate inefficiently
- Unlawful
 - Arbitrary – no valid basis for picking “benchmarks”
 - Violates competitive neutrality principle
 - Presumption *against* designation is contrary to the statute
- Wrongly presumes legitimacy of current per-line ILEC funding amounts – to be addressed in *Rural Basis-of-Support* proceeding



Different Standards for “Rural” vs. “Non-Rural” Applications

- Clarify the rules for “rural” vs. “non-rural” areas
 - The statute specifically requires a “public interest” finding for CETC applications in “rural” ILEC study areas, in addition to compliance with ETC requirements
 - By contrast, in “non-rural” ILEC areas, the law requires no special “public interest” finding apart from compliance with basic ETC requirements – “per se” consistent with public interest
- Reconsider *Virginia Cellular* on this point
 - In its “non-rural” FCC applications, Sprint made a demonstration under the “rural” public interest standard, due to lack of clarification regarding “non-rural” application rules



The FCC Faces More Significant Issues Than ETC Designation

- Establish sustainable USF contribution rules
- Control the growth of the USF
- Fix the broken intercarrier compensation system

